(Convenience translation of financial statements and audit report originally issued in Turkish)

Ford Otomotiv Sanayi Anonim Şirketi

Financial statements for the period January 1 - December 31, 2014 together with report of independent auditors

Convenience translation into English of independent auditor's report originally issued in Turkish

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors of Ford Otomotiv Sanayi A.Ş. ;

We have audited the accompanying statement of financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2014 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 18 February 2015.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

February 18, 2015
İstanbul, Türkiye

Ford Otomotiv Sanayi A.Ş.

Contents

Ford Otomotiv Sanayi A.Ş.
Statement of financial position as at December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited December 31, 2014	(Restated)(*) Prior period Audited December 31, 2013
Assets			
Current assets		**2,958,148,243**	2,443,438,405
Cash and cash equivalents	4	**577,458,259**	238,128,147
Trade receivables			
- Due from related parties	26	**929,539,320**	976,334,894
- Trade receivables, third parties	7	**676,194,387**	474,919,300
Other receivables			
- Other receivables, third parties	8	**230,474**	330,799
Inventories	9	**585,077,396**	563,888,556
Prepaid expenses	12	**29,890,515**	22,250,708
Other current assets	16	**159,757,892**	167,586,001
Non-current assets		**4,277,244,552**	3,547,751,814
Financial investments	5	**12,196,978**	7,732,955
Trade receivables			
- Trade receivables, third parties	7	**277,436**	458,542
Property, plant and equipment	10	**3,128,382,584**	2,231,069,051
Intangible assets	11	**520,390,100**	415,312,279
Prepaid expenses	12	**132,481,035**	591,264,603
Deferred tax asset	24	**483,516,419**	301,914,384
Total assets		**7,235,392,795**	5,991,190,219

The financial statements were approved for issue by the Board of Directors on February 18, 2015 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

(*) The classifications are made in the statement of financial position of the Company as of December 31, 2013, refer to Note 2.4 Accounting policies, changes in accounting estimates and errors.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of financial position as at December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited December 31, 2014	(Restated)(*) Prior period Audited December 31, 2013
Liabilities			
Current liabilities		**2,971,769,365**	2,396,989,476
Short term financial liabilities			
- Bank loans	6	**625,257,020**	629,929,557
Short term portion of long term financial liabilities			
- Bank loans	6	**364,697,638**	441,633,045
Trade payables			
- Due to related parties	26	**471,203,693**	262,289,287
- Trade payables, third parties	7	**1,325,187,809**	919,806,623
Other payables			
- Due to related parties	26	**10,660,182**	5,618,330
- Other payables, third parties	8	**39,685,718**	21,602,967
Deferred revenue	30	**9,548,207**	2,869,027
Short term provisions			
- Other short term provisions	13	**53,894,228**	58,009,620
Liabilities for employee benefit obligations	15	**71,634,870**	55,231,020
Non-current liabilities		**1,509,441,734**	1,357,596,409
Long term financial liabilities			
- Bank loans	6	**1,360,032,869**	1,219,653,201
Derivative financial instruments	28	**344,734**	713,095
Long term provisions			
- Provision for employee benefits	15	**102,801,243**	94,304,955
- Other long term provisions	13	**46,262,888**	42,925,158
Equity	17	**2,754,181,696**	2,236,604,334
Share capital		**350,910,000**	350,910,000
Adjustment to share capital		**27,920,283**	27,920,283
Share premium		**8,252**	8,252
Other comprehensive income/expense not to be reclassified to profit or loss			
- Actuarial (loss) arising from employee benefits		**(13,413,478)**	(11,053,834)
Other comprehensive income/expense to be reclassified to profit or loss			
- Revaluation fund of available for sale financial assets		**10,658,913**	6,418,090
- Cash flow hedge reserve		**(6,039,879)**	(102,334,951)
Restricted reserves		**472,233,474**	454,687,974
Retained earnings		**1,317,048,020**	868,576,734
Net income for the year		**594,856,111**	641,471,786
Total equity and liabilities		**7,235,392,795**	5,991,190,219

Ford Otomotiv Sanayi A.Ş.
Statement of profit or loss
for the period ended December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited December 31, 2014	Prior period Audited December 31, 2013
Continuing operations			
Revenue	18	**11,924,836,507**	11,404,912,894
Cost of sales	18	**(10,794,249,532)**	(10,277,155,728)
Gross profit		**1,130,586,975**	1,127,757,166
Selling, marketing and distribution expenses	19	**(277,062,900)**	(269,943,658)
General administrative expenses	19	**(155,380,055)**	(154,244,846)
Research and development expenses	19	**(171,542,036)**	(145,889,919)
Other operating income	21	**122,138,353**	175,973,737
Other operating expenses	21	**(107,623,291)**	(64,009,849)
Operating profit		**541,117,046**	669,642,631
Income from investing activities	29	**4,259,460**	929,987
Expenses from investing activities	29	**(7,027,419)**	(5,253,888)
Operating income before financial income/(expense)		**538,349,087**	665,318,730
Financial income	22	**383,327,153**	82,732,501
Financial expense	23	**(531,263,990)**	(295,946,425)
Income before tax from continuing operations		**390,412,250**	452,104,806
Tax income/(expense) from continuing operations		**204,443,861**	189,366,980
- Income tax income/(expense)	24	**23,293,275**	(29,342,054)
- Deferred tax income	24	**181,150,586**	218,709,034
Net income for the period		**594,856,111**	641,471,786
Earnings per share with a nominal value Kr 1	25	**1.70**	1.83

The accompanying notes form an integral part of these financial statements.

Ford Otomotiv Sanayi A.Ş.
Statement of other comprehensive income
for the period ended December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited December 31, 2014	Prior period Audited December 31, 2013
Net income for the period		**594,856,111**	641,471,786
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss			
Actuarial loss arising from employee benefit	17	**(2,949,555)**	(1,466,248)
Actuarial loss arising from employee benefits, tax effect	17	**589,911**	293,250
To be reclassified to profit or loss			
Change in revaluation fund of available for sale financial assets	17	**4,464,024**	1,771,550
Change in revaluation fund of available for sale financial assets, tax effect	17	**(223,201)**	(66,083)
Gain/(loss) from cash flow hedge reserve	17	**120,368,840**	(126,295,882)
Gain/(loss) from cash flow hedge reserve, tax effect	17	**(24,073,768)**	25,259,176
Other comprehensive income/(expense), net of tax		**98,176,251**	(100,504,237)
Total comprehensive income		**693,032,362**	540,967,549

The accompanying notes form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of changes in equity
for the period ended December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Accumulated other comprehensive income/(loss) to be reclassified to profit or loss		Accumulated other comprehensive income/(loss) not to be reclassified to profit or loss		Accumulated profit		
	Share capital	Adjusment to share capital	Share premium	Revaluation fund of available for sale financial assets	Cash flow hedge reserve	Actuarial fund arising from employee benefit plans	Restricted reserves	Retained earnings	Net income for the period	Total equity
Balance at January 1, 2013	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	(9,880,836)	432,432,060	505,957,103	684,903,595	1,995,664,835
Net income for the period	-	-	-	-	-	-	-	-	641,471,786	641,471,786
Other comprehensive income/(loss)	-	-	-	1,705,467	(101,036,706)	(1,172,998)	-	-	-	(100,504,237)
Total comprehensive income	-	-	-	1,705,467	(101,036,706)	(1,172,998)	-	-	641,471,786	540,967,549
Transfers	-	-	-	-	-	-	22,255,914	662,647,681	(684,903,595)	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	(300,028,050)	-	(300,028,050)
Balance at December 31, 2013	**350,910,000**	**27,920,283**	**8,252**	**6,418,090**	**(102,334,951)**	**(11,053,834)**	**454,687,974**	**868,576,734**	**641,471,786**	**2,236,604,334**
Balance at January 1, 2014	**350,910,000**	**27,920,283**	**8,252**	**6,418,090**	**(102,334,951)**	**(11,053,834)**	**454,687,974**	**868,576,734**	**641,471,786**	**2,236,604,334**
Net income for the period	-	-	-	-	-	-	-	-	594,856,111	**594,856,111**
Other comprehensive income/(loss)	-	-	-	4,240,823	96,295,072	(2,359,644)	-	-		**98,176,251**
Total comprehensive income	-	-	-	4,240,823	96,295,072	(2,359,644)	-	-	594,856,111	**693,032,362**
									-	-
Transfers	-	-	-	-	-	-	17,545,500	623,926,286	(641,471,786)	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	(175,455,000)	-	(175,455,000)
Balance at December 31, 2014	**350,910,000**	**27,920,283**	**8,252**	**10,658,913**	**(6,039,879)**	**(13,413,478)**	**472,233,474**	**1,317,048,020**	**594,856,111**	**2,754,181,696**

The accompanying notes form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of cash flow
for the period ended December 31, 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited December 31, 2014	Prior period Audited December 31, 2013
Cash flows from operating activities:			
Net income before tax		**390,412,250**	452,104,806
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	10	**267,558,026**	173,780,891
Amortization expense	11	**37,172,125**	12,506,156
Increase in provision for employee benefits	15	**18,498,378**	12,123,996
Increase in warranty expense provision	13	**81,259,786**	73,761,483
Increase in provision for litigation expense	13	**6,929,443**	13,196,874
Interest income	22	**(10,229,855)**	(9,720,451)
Interest expense	23	**51,957,623**	25,237,418
Foreign exchange loss on bank loans		**47,991,201**	209,235,654
Change in provision for impairment on inventories, net	9	**223,029**	847,314
Change in provision for unusued vacation pay liability, net		**382,424**	2,053,572
Change in other provisions, net		**42,122**	16,869
Sales discount accruals	8	**1,476,832**	-
Change in provision for dealer stocks sales premium, net	13	**(7,241,793)**	(5,033,081)
Loss / (gain) on sale of fixed assets, net	29	**3,353,789**	4,698,832
Dividend income	29	**(585,830)**	(374,931)
Unrealized gain of derivatives		**(9,970)**	(22,296)
Net operating profit before changes in operating assets and liabilities		**889,189,580**	964,413,106
Increase in trade receivables		**(154,298,405)**	(220,088,916)
(Increase) / decrease in inventories		**(20,965,811)**	113,485,009
Decrease in other current assets		**7,219,618**	12,390,683
(Increase) / decrease in prepaid expenses		**(7,639,807)**	31,090,941
Increase in trade payables		**614,295,593**	61,822,475
Increase in other current liabilities		**47,572,716**	16,141,092
Taxes paid		**(2,841,912)**	(17,847,295)
Warranty expenses paid	13	**(77,861,272)**	(85,258,189)
Litigation expenses paid	13	**(3,863,826)**	(3,210,689)
Employee benefits paid	15	**(13,334,069)**	(6,880,188)
Net cash generated from operating activities		**1,277,472,405**	866,058,029
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	**(1,174,625,985)**	(855,706,778)
Purchase of intangible assets	11	**(142,249,946)**	(189,457,760)
Proceeds from sale of property, plant and equipment		**6,400,638**	2,616,800
Decrease / (increase) in investment advances given		**458,783,568**	(266,895,762)
Interest received		**9,741,673**	9,703,614
Dividend received	29	**585,830**	374,931
Net cash used in investing activities		**(841,364,222)**	(1,299,364,955)
Cash flows from financing activities:			
Proceeds from borrowings		**1,544,685,051**	1,250,190,661
Payments of borrowings		**(1,415,412,543)**	(558,783,838)
Interest paid		**(50,595,579)**	(21,462,053)
Dividends paid	17	**(175,455,000)**	(300,028,050)
Net cash (used in) / generated from financing activities		**(96,778,071)**	369,916,720
Net increase / (decrease) in cash and cash equivalents		**339,330,112**	(63,390,206)
Beginning balance of cash and cash equivalents	4	**238,128,147**	301,518,353
Ending balance of cash and cash equivalents	4	**577,458,259**	238,128,147

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. Organization and nature of the operations

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.92% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a Cargo truck plant and engines and powertrain plant which manufactures for trucks and Transit vehicles.

Additionally the Company has a spare part distribution warehouse and a research and development (R&D) center located in Sancaktepe, İstanbul. In December 2014, the operations conducted in Tübitak Marmara Research Center, Gebze Campus Technological Free Zone ("TEKSEB") branch are moved to Sancaktepe research and development center.

Research and development operations which are also subject to service export is conducted with 963 employees in Sancaktepe R&D center and conducted with 463 emloyees in R&D center in Kocaeli plant, totally 1.426 employees as of December 31, 2014.

The number of the personnel employed by the Company as at 31 December 2014 and 31 December 2014 are as follows:

	Average		Year end	
Year	**2014**	2013	**2014**	2013
Blue Collar	**6,877**	7,020	**7,192**	6,926
White Collar	**2,499**	2,457	**2,570**	2,518
Total	**9,376**	9,477	**9,762**	9,444

2. Basis of presentation of financial statements

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The year end financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, Turkish Accounting Standards, comprise of Turkish Financial Reporting Standards, its appendix and interpretations.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards issued by the CMB ("CMB Financial Reporting Standards"). The Company's financial statements have been prepared in accordance with this decision.

2. Basis of presentation of financial statements (continued)

Except for the financial assets and derivative instruments measured at fair value, the financial statements are prepared on a historical cost basis.

Company's functional and presentation currency is accepted as TL

Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at December 31, 2014 has been provided with the comparative financial information of December 31, 2013 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, 2014 and December 31, 2014 have been provided with the comparative financial information, for the period between January 1, 2013 and December 31, 2013.

2.2 Amendments and interpretations in the standards

a) New and amended standards and interpretations:

The accounting policies adopted in preparation of the year end financial statements as at December 31, 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRYK interpretations effective as of January 1, 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2014

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016..

Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

2. Basis of presentation of financial statements (continued)

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation witho ut otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company

2. Basis of presentation of financial statements (continued)

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost
• In accordance with IFRS 9 (or IAS 39),
or
• Using the equity method

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company / the Group. or The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after.1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

Trade receivables and allowance for trade receivables

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain / loss and credit finance income of trade receivables are classified under "other operating income/expense".

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the statement of the financial position date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to operating income in the current period.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

The Company collects most of the receivables from domestic vehicles and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates (Note 7 and 26).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 9).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26). Foreign exchange gain / loss and credit finance charges of trade payables are classified under "other operating income/expense".

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14.5 - 30 years
Buildings	14.5 - 36 years
Machinery and equipment	5-25 years
Moulds and models	Project lifetime
Furniture and fixtures	4 - 14.5 years
Motor vehicles	9-15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

2. Basis of presentation of financial statements (continued)

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3 Research and development expenses (Note 11).

The estimated useful lifetimes of such assets are as follows:

Rights	3-5 years
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 years

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of profit or loss.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". Unrealised gains and losses arising from changes in the fair value of available-for-sale debt securities are the differences between the fair value of such securities and their amortised costs at the reporting date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are transferred to the income statement. If the difference between the cost and the fair value of the available-for-sale securities is permanent, gains and losses are transferred to the income statement.

Interest and dividends associated to the available-for-sale financial assets are accounted under corresponding interest income and dividend income accounts.

2. Basis of presentation of financial statements (continued)

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 21).

Taxes on income

Taxes include current period income taxes and deferred taxes.

<u>Current period income tax</u>

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

<u>Deferred tax</u>

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

<u>Current and deferred tax</u>

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items are also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Revenue recognition

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. For export service sales, significant risk and rewards are transferred to the buyer when services are given and revenue is determined reasonably. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Note 18).

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey (TCB) exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit or loss (Notes 22, 23 and 27).

Foreign currency exchange rates used by the Company at the time of statement of financial position dates are as follows:

	TL/USD	TL/Euro	TL/GBP
December 31, 2014	**2.3189**	**2.8207**	**3.5961**
December 31, 2013	2.1343	2.9365	3.5114

2. Basis of presentation of financial statements (continued)

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Short term bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 7).

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as available-for-sale. The Company limits the available-for-sale financial assets in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to Euro 130 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into local currency. This risk is monitored by management through Audit Committee and regular Board of Director's meetings.

Excess cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimize the statement of financial position foreign exchange exposure. In addition to this, distribution of the amount of the export orientated production and sales in the related months can increase the foreign assets (Note 27).

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to tangible capital ratio". This ratio is calculated as net financial debt divided by tangible capital. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents, whereas tangible equity is

calculated as equity, as shown in the statement of financial position minus intangible assets. According to the decision of Company management, this ratio is expected not to exceed 1.25.

	December 31, 2014	December 31, 2013
Net financial debt	**1,772,529,268**	2,053,087,656
Tangible equity	**2,233,791,596**	1,821,292,055
Net financial debt / tangible equity ratio	**0.79**	1.13

Fair value of financial instruments

The Company measures derivatives and available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

2. Basis of presentation of financial statements (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial assets

The fair values of balances denominated in foreign currencies, which are translated using year-end exchange rates, are considered to approximate their carrying value. The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for impairment are estimated to be their fair values due to their short-term nature.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Derivative financial instruments and cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves".Where the forecasted transaction or firm commitment results in the recognition of a non financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

2. Basis of presentation of financial statements (continued)

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 6). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

Provision for employee benefits

a) Defined benefit plan:

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviors stated in labor law, calculated in accordance with the Turkish Labour Law (Note 15). According to the amendments on IAS 19 "Employee Benefits", the actuarial gain/(loss) of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan:

The Company has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date (Note 15).

c) Other employee benefits

"Long term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 8).

Warranty expenses provision

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 13).

2. Basis of presentation of financial statements (continued)

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably.
- If the technological feasibility can be measured.
- If the good will be sold or will be used within the Company.
- If there's a potential market or can be proved that it is used within the Company.
- If necessary technological, financial and other resources can be provided to complete the project..

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 11).

Leasing – the Commpany as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leasing – the Company as lessor

Operational Leasing

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Related parties

Parties are considered related to the company (reporting entity) if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
  (i) has control or joint control over the reporting entity;
  (ii) has significant influence over the reporting entity; or
  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Basis of presentation of financial statements (continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 26).

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 25).

Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Company's operations.

The cash flows due to investing activities indicate the Company cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 4).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities (Note 13).

2. Basis of presentation of financial statements (continued)

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 32).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or the obtaining of an asset follows the settling its of liability.

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement.

2.4 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies and estimates or material errors are corrected retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current period and prospectively.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the year end periods ended after March 31, 2013. Various classifications were made in the Company's statement of financial position pursuant to these formats which have taken effect. The classifications made in the statement of financial position of the Company as of December 31, 2013 are as follows:

(i) Advance taken amounting to TL 2,869,027 in the account of "other payables" in the statement of financial position of the Company as of December 31, 2013 were classified under "deferred revenue".

Also in order to conform with the current period presentation, the following reclassifications have been made in the financial position of the Company as of December 31, 2013;

(ii) Since the period of requirement to keep five years under a special reserve account has expired, special reserve amounting to TL 5,992,341 in the account of "restricted reserve" in the statement of financial position of the Company as of December 31,2014 were classified under other reserves in the account of "retained earnings".

2. Basis of presentation of financial statements (continued)

2.5 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).

(b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).

(c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).

(d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.

(e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).

(f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of December 31, 2014 and December 31, 2013 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).

(g) The Company recognizes depreciation and amortization for its property, plant and equipments and intangibles by taking into account their useful lives that are stated in Note 2.3 (Note 10 and 11).

(h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of December 31, 2014 and December 31, 2013, there is no impairment determined related to development costs in progress (Note 11).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

3. Segment reporting

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

4. Cash and cash equivalents

The maturity period of time deposits is up to three months and there is no blockage/restricton on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is 2.26% (December 31, 2013: 2.70%). The weighted average interest rate for the TL time deposits is 11.59% (December 31, 2013: 9%).

	December 31, 2014	December 31, 2013
Banks- foreign currency time deposits	**400,808,453**	207,185,399
Banks - TL demand deposits	**22,925,737**	24,104,281
Banks- TL time deposits	**148,606,575**	6,132,512
Banks - foreign currency demand deposits	**5,117,494**	705,955
	577,458,259	238,128,147

5. Financial assets

	December 31, 2014		December 31, 2013	
Available-for-sale financial assets:	**Shareholding %**	**Amount**	Shareholding %	Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	**0.59**	**12,196,978**	0.59	7,732,955
		12,196,978		7,732,955

(*) The Company's shareholding in Otokar was stated at market value at December 31, 2014 and December 31, 2013 which is assumed to approximate its fair value.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

6. Financial liabilities

Short term borrowings:

	December 31, 2014		December 31, 2013	
	Effective interest rate %	**TL Amount**	Effective interest rate %	TL Amount
- Euro	**1.61**	**512,286,774**	1.56	619,497,400
- TL (*)	**8.14**	**112,970,246**	-	10,432,157
		625,257,020		629,929,557

(*) In 2013, TL currency short term borrowings are interest-free loans used for short term purposes and Eximbank loans in TL currency.

Short-term portion of long-term borrowings:

	December 31, 2014		December 31, 2013	
	Effective interest rate %	**TL Amount**	Effective interest rate %	TL Amount
- Euro	**2.31**	**364,697,638**	2.97	441,633,045
		364,697,638		441,633,045
Total short term borrowings		**989,954,658**		1,071,562,602
Long term borrowings:				
- Euro	**2.06**	**1,360,032,869**	2.04	1,219,653,201
		1,360,032,869		1,219,653,201

The payment schedules of long-term bank borrowings as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Payment period	**Total TL**	Total TL
2015	**-**	364,540,148
2016	**437,834,441**	307,556,508
2017	**298,501,742**	141,789,233
2018	**292,257,321**	135,544,438
2019	**174,357,519**	130,472,203
2020-2021	**157,081,846**	139,750,671
	1,360,032,869	1,219,653,201

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,015,293,576 (December 31, 2013 - TL 1,076,694,420) (Note 13).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables

	December 31, 2014	December 31, 2013
Short term trade receivables:		
Trade receivables	**680,878,133**	479,252,823
Doubtful receivables	**4,559,249**	4,533,456
Less: Unearned credit finance income	**(4,683,746)**	(4,333,523)
	680,753,636	479,452,756
Less: Provision for doubtful receivables	**(4,559,249)**	(4,533,456)
	676,194,387	474,919,300

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days. (December 31 2013: 25 days), domestic sales of spare parts turnover is 70 days (December 31 2013: 70 days) and discounted by 0.92% monthly effective interest rate (December 31 2013: %0.63).

The collection of receivables from export sales other than Ford Motor Company is kept under guarantee with letter of credit, letter of guarantee or upfront cash collection.

	December 31, 2014	December 31, 2013
Long term trade receivables:		
Deposits and guarantees given	**277.436**	458.542
	277.436	458.542

	December 31, 2014	December 31, 2013
Trade payables:		
Trade payables	**1.332.727.390**	923.138.810
Less: Unearned credit finance expense	**(7.539.581)**	(3.332.187)
	1.325.187.809	919.806.623

The average turnover of trade payables is 60 days (December 31, 2013: 60 days) and discounted by 0.92% monthly effective interest rate (December 31, 2013:0.63%).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2014 and 2013 is as follows:

	Trade receivables		Other receivables		
December 31, 2014	**Related party**	**Other**	**Related party**	**Other**	**Deposit in bank**
- The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	**929,539,320**	**676,194,387**	**-**	**230,474**	**577,458,259**
The maximum of credit risk covered by guarantees	**110,000,000**	**590,614,039**	**-**	**-**	**-**
Net book value of the financial assets that are neither overdue nor impaired	**855,023,868**	**671,643,751**	**-**	**230,474**	**577,458,259**
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	**-**	**-**	**-**	**-**	**-**
Net book value of financial assets that are overdue but not impaired	**74,515,452**	**4,550,636**	**-**	**-**	**-**
- Amount of risk covered by guarantees	**-**	**2,208,171**	**-**	**-**	**-**
Net book value of impaired assets	**-**	**-**	**-**	**-**	**-**
- Overdue (gross book value)	**-**	**4,559,249**	**-**	**-**	**-**
- Provision for impairment (-)	**-**	**(4,559,249)**	**-**	**-**	**-**
- Amount of risk covered by guarantees	**-**	**-**	**-**	**-**	**-**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

	Trade receivables		Other receivables		
December 31, 2013	Related party	Other	Related party	Other	Deposits in bank
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	976,334,894	474,919,300	-	330,799	238,128,147
- The maximum of credit risk covered by guarantees	110,000,000	396,568,859	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	921,909,149	461,634,283	-	330,799	238,128,147
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	12,670,000	-	-	-
Net book value of financial assets that are overdue but not impaired	54,425,745	615,017	-	-	-
- Amount of risk covered by guarantees	-	279,267	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533,456	-	-	-
- Provision for impairment (-)	-	(4,533,456)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The aging schedule of receivables that are overdue but not impaired is as follows;

	Trade receivables	
December 31, 2014	**Related party**	**Other**
1-30 days overdue	**28,816,149**	**2,165,734**
1-3 months overdue	**25,390,829**	**1,241,768**
3-12 months overdue	**16,788,957**	**1,108,507**
1-5 years overdue	**3,519,517**	**34,627**
	74,515,452	**4,550,636**
Risk covered by guarantees	**-**	**2,208,171**

The Company's overdue related party receivables are related to the long term engineering service bills and spare parts exports to Ford Motor Company.

	Trade receivables	
December 31, 2013	Related party	Other
1-30 days overdue	10,990,275	371,774
1-3 months overdue	7,339,035	-
3-12 months overdue	25,364,641	5,189
1-5 years overdue	10,731,794	238,054
	54,425,745	615,017
Risk covered by guarantees	-	279,267

8. Other receivables and payables

	December 31, 2014	December 31, 2013
Other receivables:		
Other miscellaneous receivables	**230,474**	330,799
	230,474	330,799

	December 31, 2014	December 31, 2013
Other payables:		
Sales premium accruals	**1,476,832**	-
Taxes and funds payable	**33,347,231**	18,341,531
Other	**4,861,655**	3,261,436
	39,685,718	21,602,967

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

9. Inventories

	December 31, 2014	December 31, 2013
Finished goods	**104,688,935**	191,087,991
Raw materials	**246,862,840**	170,737,641
Vehicle spare parts	**110,330,301**	108,033,942
Goods in transit	**76,716,122**	30,309,372
Import vehicles	**22,661,995**	38,105,200
Spare parts	**26,812,487**	28,832,723
	588,072,680	567,106,869
Less: Provision for impairment of finished goods and vehicle spare parts	**(2,995,284)**	(3,218,313)
	585,077,396	563,888,556

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Company has accounted the expenses due to the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2014	2013
At January 1	**3,218,313**	2,370,999
Change within the period	**(223,029)**	847,314
At December 31	**2,995,284**	3,218,313

The Company has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been accounted under cost of sales (Note 18).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2013									
Cost	11,874,536	133,726,199	598,698,603	1,625,015,040	1,246,999,402	262,563,957	7,758,660	313,146,729	4,199,783,126
Accumulated depreciation	-	(55,890,046)	(280,669,273)	(808,726,624)	(668,384,053)	(152,428,549)	(2,615,530)	-	(1,968,714,075)
Net book value	11,874,536	77,836,153	318,029,330	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051
For the period ended December 31, 2014									
Opening net book value	11,874,536	77,836,153	318,029,330	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051
Additions	-	8,512,882	6,849,011	593,720,880	409,251,039	55,720,679	5,840,233	94,731,261	1,174,625,985
Transfers	-	166,232	269,208,399	65,121,127	36,219,555	2,413,403	8,203,930	(381,332,646)	-
Disposals	-	-	(2,988,668)	(41,639,841)	(1,140,654)	(9,254,681)	(5,461,602)	-	(60,485,446)
Depreciation charge	-	(5,252,978)	(27,264,420)	(120,151,454)	(91,233,102)	(21,944,727)	(1,711,345)	-	(267,558,026)
Disposals from accumulated depreciation	-	-	846,790	39,774,538	1,093,244	7,907,604	1,108,844	-	50,731,020
Closing net book value	11,874,536	81,262,289	564,680,442	1,353,113,666	932,805,431	144,977,686	13,123,190	26,545,344	3,128,382,584
December 31, 2014									
Cost	11,874,536	142,405,313	871,767,345	2,242,217,206	1,691,329,342	311,443,358	16,341,221	26,545,344	5,313,923,665
Accumulated depreciation	-	(61,143,024)	(307,086,903)	(889,103,540)	(758,523,911)	(166,465,672)	(3,218,031)	-	(2,185,541,081)
Net book value	11,874,536	81,262,289	564,680,442	1,353,113,666	932,805,431	144,977,686	13,123,190	26,545,344	3,128,382,584

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 3,215,770 (December 31, 2013: TL 97,223,956) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of December 31, 2014.

There is no collateral, pledge or mortgage on tangible assets as of December 31, 2014 and 2013.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	143,733,711	3,358,678,100
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(735,121,107)	(619,856,337)	(136,164,272)	(2,341,301)	-	(1,802,219,301)
Net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
For the year ended December 31, 2013									
Opening net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
Additions	-	4,664,936	4,724,620	259,693,369	332,787,655	26,500,473	2,800,125	224,535,600	855,706,778
Transfers	-	3,111,960	27,840,984	5,395,763	17,609,276	1,164,599	-	(55,122,582)	-
Disposals	-	-	-	(10,772,186)	(341,809)	(467,762)	(3,019,997)	-	(14,601,754)
Depreciation charge	-	(5,009,860)	(22,813,175)	(79,386,400)	(48,865,104)	(16,725,902)	(980,450)	-	(173,780,891)
Disposals from accumulated depreciation	-	-	-	5,780,882	337,391	461,625	706,221	-	7,286,119
Closing net book value	11,874,536	77,836,153	318,029,330	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051
December 31, 2013									
Cost	11,874,536	133,726,199	598,698,603	1,625,015,040	1,246,999,402	262,563,957	7,758,660	313,146,729	4,199,783,126
Accumulated depreciation	-	(55,890,046)	(280,669,273)	(808,726,624)	(668,384,053)	(152,428,549)	(2,615,530)	-	(1,968,714,075)
Net book value	11,874,536	77,836,153	318,029,330	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment(continued)

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2014	December 31, 2013
Moulds and models	**426,456,991**	366,313,427
Machinery and equipment	**140,971,016**	132,081,632
Furniture and fixtures	**66,229,622**	63,244,168
Buildings	**24,354,268**	18,709,946
Land improvements	**2,143,387**	1,999,158
Vehicles	**1,034,888**	847,711
	661,190,172	583,196,042

The allocation of depreciation expense as of December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Cost of production (Note 18)	**249,626,194**	160,258,897
General administrative expenses (Note 19)	**5,140,745**	5,569,646
Research and development expenses (Note 19)	**6,643,680**	4,673,355
Selling and marketing expenses (Note 19)	**2,094,317**	1,992,665
Associated with construction in progress	**4,053,090**	1,286,328
	267,558,026	173,780,891

11. Intangible assets

December 31, 2013	**Rights**	**Development cost**	**Development costs in progress**	**Other**	**Total**
Cost	**31,670,385**	**479,714,678**	**359,259,892**	**6,460,411**	**877,105,366**
Accumulated amortization	**(26,112,104)**	**(432,417,596)**	**-**	**(3,263,387)**	**(461,793,087)**
Net book value	**5,558,281**	**47,297,082**	**359,259,892**	**3,197,024**	**415,312,279**
For the period ended December 31, 2014					
Opening net book value	**5,558,281**	**47,297,082**	**359,259,892**	**3,197,024**	**415,312,279**
Additions	**3,754,159**	**-**	**138,495,787**	**-**	**142,249,946**
Transfers	**2,464,916**	**289,006,120**	**(291,471,036)**	**-**	**-**
Disposals	**(17,027,885)**	**(345,349,348)**	**-**	**-**	**(362,377,233)**
Depreciation charge	**(11,245,800)**	**(25,303,958)**	**-**	**(622,367)**	**(37,172,125)**
Disposals from accumulated depreciation	**17,027,885**	**345,349,348**	**-**	**-**	**362,377,233**
Closing net book value	**531,556**	**310,999,244**	**206,284,643**	**2,574,657**	**520,390,100**
December 31, 2014					
Cost	**20,861,575**	**423,371,450**	**206,284,643**	**6,460,411**	**656,978,079**
Accumulated amortization	**(20,330,019)**	**(112,372,206)**	**-**	**(3,885,754)**	**(136,587,979)**
Net book value	**531,556**	**310,999,244**	**206,284,643**	**2,574,657**	**520,390,100**

There is no carrying amounts of fully depreciated intangible assests still in use as of December 31,2014.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11. Intangible assets (continued)

December 31,2012	Rights	Development cost	Development costs in progress	Other	Total
Cost	24,942,594	473,722,783	182,884,687	6,097,543	687,647,607
Accumulated amortization	(20,709,417)	(426,240,957)	-	(2,336,558)	(449,286,932)
Net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
For the period ended December 31, 2013					
Opening net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
Additions	4,181,640	-	185,276,120	-	189,457,760
Transfers	2,546,151	5,991,895	(8,900,915)	362,869	-
Depreciation charge	(5,402,687)	(6,176,639)	-	(926,830)	(12,506,156)
Closing net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279
December 31, 2013					
Cost	31,670,385	479,714,678	359,259,892	6,460,411	877,105,366
Accumulated amortization	(26,112,104)	(432,417,596)	-	(3,263,387)	(461,793,087)
Net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279

The allocation of amortization charges relating to December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Cost of production (Note 18)	**29,553,299**	5,585,523
General administrative expenses (Note 19)	**4,738,532**	3,704,802
Research and development expenses (Note 19)	**2,652,184**	3,036,487
Selling and marketing expenses (Note 19)	**146,168**	142,195
Associated with construction in progress	**81,942**	37,149
	37,172,125	12,506,156

12. Prepaid expenses

Short term prepaid expenses:	**December 31, 2014**	December 31, 2013
Advances given for inventories	**22,955,408**	17,272,254
Other prepaid expenses	**6,935,107**	4,978,454
	29,890,515	22,250,708

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Prepaid expenses (contiuned)

Long term prepaid expenses:	December 31, 2014	December 31, 2013
Advances given for investments	**132,481,035**	591,264,603
	132,481,035	591,264,603

(*) Investment advances given are related to the Company's new vehicle investments. TL 121,787,063 (December 31, 2013: TL 172,436,235) is given to domestic vendors as mould advances and TL 10,693,972 (December 31, 2013: TL 418,828,368) is given for the new investments.

13. Provision, contingent assets and liabilities

The Company recognizes 2 and 3 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the statement of financial position date and warranty claims of vehicles sold in previous years on a model basis.

Short term provisions:

	December 31, 2014	December 31, 2013
Provisions for sales premium (*)	**19,054,389**	26,296,182
Warranty expense provision	**34,839,839**	31,713,438
	53,894,228	58,009,620

(*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2.3).

Long term provisions:

	December 31, 2014	December 31, 2013
Warranty expense provision	**26,244,324**	25,972,211
Provisions for lawsuit	**20,018,564**	16,952,947
	46,262,888	42,925,158

The provisions for lawsuit risks relating to period is as follows:

	2014	2013
At January 1	**16,952,947**	6,966,762
Paid during the period	**(3,863,826)**	(3,210,689)
Additions during the period	**6,929,443**	13,196,874
At December 31	**20,018,564**	16,952,947

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13. Provision, contingent assets and liabilities (continued)

Movements in the warranty expense provision during the period is as follows:

	2014	2013
At January 1	**57,685,649**	69,182,355
Paid during the period	**(77,861,272)**	(85,258,189)
Additions during the period (Note 19)	**81,259,786**	73,761,483
At December 31	**61,084,163**	57,685,649

Letters of guarantee and letters of credit	December 31, 2014	December 31, 2013
Letters of guarantee given to financial institutions due to bank loans	**1,015,293,576**	1,076,694,420
Letters of guarantee given to customs	**32,814,155**	29,446,155
Letters of guarantees given to other parties	**9,259,141**	16,119,980
	1,057,366,872	1,122,260,555

Letters of guarantee given	December 31, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
Euro	**332,751,008**	**938,590,767**	376,717,791	1,106,231,793
USD	**45,325,598**	**105,105,529**	13,000	27,746
TL	**13,670,576**	**13,670,576**	15,908,315	15,908,315
GBP	**-**	**-**	26,400	92,701
		1,057,366,872		1,122,260,555

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13. Provision, contingent assets and liabilities (continued)

The allocation of collaterals, pledges and mortgages as of December 31,2014 and 2013 as follows:

Collaterals, pledges and mortgages given by the Company	December 31, 2014	December 31, 2013
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	**1,057,366,872**	1,122,260,555
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	**-**	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	**-**	-
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	**-**	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	**-**	-
Total	**1,057,366,872**	1,122,260,555

As of December 31, 2014, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

Letters of guarantee taken

	December 31, 2014		December 31, 2013	
	Original currency	**TL**	Original currency	TL
TL	**158,638,831**	**158,638,831**	265,500,997	265,500,997
Euro	**7,532,016**	**21,245,559**	12,269,304	36,028,811
USD	**-**	**-**	463,000	988,181
		179,884,390		302,517,989

Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2007 and 2009, amounting to TL 11,982,710 which includes Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the first lawsuits at the court filed separately for each year and the appeal processes.The courts are in the process of revision of decision.

14. Commitments

Commitments related with bank loans used by the Company are as follows:

a) Based on the credit agreements made by the Company in 2014, amounting to Euro 80,000,000 with Citibank A.Ş. and Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20.000.000 with Akbank TA.Ş in 2013 and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2014.

b) Based on the 1 year credit agreements made by the Company in 2014, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 40,000,000 with İş Bankası A.Ş. totally Euro 80,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2014. The Company fulfilled these commitments as of December 31, 2014.

c) Based on the credit agreements made by the Company with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);

- With 8 months term credit amounting to Euro 65,325,000 used in September 2013 an amount of Euro 67,000,000 and,
- With 4 months term credit amounting to Euro 27,580,000 used in October 2013 an amount of Euro 28,000,000 and,
- With 4 months term credit amounting to Euro 37,430,000 used in December 2013 an amount of Euro 38,000,000 and,
- With 4 months term credit amounting to TL 86,680,000 used in February 2013 an amount of USD 40,000,000 and,
- With 4 months term credit amounting to Euro 19,000,000 used in April 2014 an amount of Euro 19,000,000 and,
- With 4 months term credit amounting to TL 52,000,000 used in April 2014 an amount of USD 25,000,000 and,
- With 4 months term credit amounting to Euro 29,000,000 used in June 2014 an amount of Euro 29,000,000 and,
- With 4 months term credit amounting to TL 60,000,000 used in August 2014 an amount of USD 27,921,262 and,
- With 4 months term credit amounting to Euro 20,000,000 used in August 2014 an amount of USD 20,000,000 export is required to be ensured by the Company.

  The Company fulfilled these commitments as of December 31, 2014.

- With 8 months term credit amounting to Euro 66,000,000 used in May 2014 an amount of Euro 66,000,000 and,
- With 8 months term credit amounting to TL 42,000,000 used in October 2014 an amount of USD 18,753,349 and,
- With 4 months term credit amounting to Euro 15,000,000 used in October 2014 an amount of Euro 15,000,000 and,
- With 4 months term credit amounting to Euro 20,000,000 used in December 2014 an amount of Euro 20,000,000 and,
  With 4 months term credit amounting to Euro 60,000,000 used in December 2014 an amount of USD 26,559,249 export is required to be ensured by the Company.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

14. Commitments (continued)

Operational lease commitments

Future lease payments under non-cancellable operating lease of the Company is as follows:

Operational lease commitments	**December 31, 2014**	December 31, 2013
Within 1 year	**4,209,394**	3,469,320
Between 1 year to 5 years	**5,756,400**	6,449,565
	9,965,794	9,918,885

15. Employee benefits

Liabilities for employee benefit obligations:

	December 31, 2014	December 31, 2013
Salaries and social charges payable	**33,605,366**	27,072,077
Social security premiums payable	**17,867,688**	13,199,786
Withholding income tax payable	**18,442,695**	13,664,724
Other	**1,719,121**	1,294,433
	71,634,870	55,231,020

Provision for employee benefits:

	December 31, 2014	December 31, 2013
Provision for employee benefits	**87,700,826**	79,586,962
Provision for unused vacation pay liability	**15,100,417**	14,717,993
	102,801,243	94,304,955

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 for each year of service as of December 31, 2014 (December 31, 2013 – TL 3,254.44).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Employee benefits (continued)

TFRS requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2014	December 31, 2013
Discount rate (%)	**8.2**	9.5
Expected salary increase rate(%)	**4.5**	4.5
Net discount rate	**3.50**	4.78
Turnover rate to estimate the probability of retirement (%)	**3.2**	4.3

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of TL 3,438.22 which was effective as of January 2014 (July 1, 2013 - December 31,2013 - TL 3,254.44) has been used in the calculations.

Movements in the provision for employee benefits during the year are as follows:

	2014	2013
At January 1	**79,586,962**	72,876,906
Interest cost	**7,560,762**	5,465,768
Current year service cost	**10,937,616**	6,658,228
Paid during the period	**(13,334,069)**	(6,880,188)
Actuarial loss	**2,949,555**	1,466,248
At December 31	**87,700,826**	79,586,962

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of December 31, 2014 is below:

	Net discount rate		**Turnover rate related to the probability of retirement**	
Sensitivity level	**%0.5 decrease**	**0.5% increase**	**%0.5 decrease**	**0.5% increase**
Rate (%)	(3.00)	(4.00)	96.28	97.28
Change in provision for employee benefits	5,427,585	(4,891,609)	(5,264,537)	5,763,798

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

16. Other current assets

	December 31, 2014	December 31, 2013
VAT to be deductible (*)	**135,919,140**	146,841,719
Prepaid taxes and withholding	**7,795,742**	8,586,800
Other	**16,043,010**	12,157,482
	159,757,892	167,586,001

(*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to November and December of 2014. VAT return receviable amounting to TL 69.2 million was collected in January 2015.

17. Equity

The composition of the Company's paid-in capital as of December 31,2014 and 2013 is as follows:

Shareholders	**December 31, 2014**	**Shareholders percentage (%)**	December 31, 2013	Shareholders percentage (%)
Koç Holding A.Ş.	**134,953,357**	**38.46**	134,953,357	38.46
Vehbi Koç Vakfı	**3,428,592**	**0.98**	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	**3,259,202**	**0.93**	3,259,202	0.93
Temel Ticaret A.Ş.	**2,355,885**	**0.67**	2,355,885	0.67
Total Koç Group	**143,997,036**	**41.04**	143,997,036	41.04
Ford Motor Company	**143,997,036**	**41.04**	143,997,036	41.04
Other (Publicly held)	**62,915,928**	**17.92**	62,915,928	17.92
Total	**350,910,000**	**100.00**	350,910,000	100.00
Inflation adjustment to share capital	**27,920,283**		27,920,283	
Inflation adjusted paid in capital	**378,830,283**		378,830,283	

17. Equity (continued)

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (December 31, 2013 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, under the TCC; the legal reserves can be used only to offset losses.

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TL 472,233,474 as of December 31, 2014 (December 31, 2013 – TL 454,687,974).

In accordance with Communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital'',
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings",

Other equity items shall be carried at the amounts calculated based on TAS.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on year end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the General Assembly Meeting dated as of March 25, 2014, the Company has decided not to distribute dividends from the net profit of the year 2013 due to the funding required during the new investments period, market expectations and finance policies (2013: The Company has paid dividend at the rate of 85.50%, that is gross TL 85.50 (net Kr 72.6750) per TL 1 share, amounting to TL 300,028,050 in total.).

The management of the Company has reassessed the investment process and the economic conditions the Company is in and in the Extraordinary General Aseembly meeting dated October 31, 2014, it has decided on the distribution of cash dividend at a rate of 50%, with a total amount of TL 175,455,000, as 50,00 kuruş gross (42,50 net) for each share with a value of TL 1. The Company made the dividend payment in November 2014.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity (continued)

In accordance with Communiqué No: II-14,1, "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Share capital	**350,910,000**	350,910,000
Inflation adjustment to share capital	**27,920,283**	27,920,283
Share premium	**8,252**	8,252
Revaluation funds	**10,658,913**	6,418,090
Net loss on cash flow hedge	**(6,039,879)**	(102,334,951)
Actuarial (loss) arising from employee benefits	**(13,413,478)**	(11,053,834)
Restricted reserves	***472,233,474***	*454,687,974*
- Legal reserves	**472,233,474**	454,687,974
Retained earnings	***1,317,048,020***	*868,576,734*
- Inflation adjustment to equity	**428,301,244**	428,301,244
- Extraordinary reserves	**872,873,599**	424,402,313
- Other reserves	**5,992,341**	5,992,341
- Other retained earnings	**9,880,836**	9,880,836
Net income for the period	**594,856,111**	641,471,786
Share capital	**2,754,181,696**	2,236,604,334

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended December 31, 2014 and 2013 are as follows:

December 31, 2014:	**Historical values**	**Adjusted values**	**Equity inflation adjustment differences**
Share capital	**350,910,000**	**378,830,283**	**27,920,283**
Legal reserves	**472,233,474**	**530,986,078**	**58,752,604**
Extraordinary reserves	**872,873,599**	**1,242,018,615**	**369,145,016**
Share premium	**8,252**	**361,733**	**353,481**
Other reserves	**5,992,341**	**6,042,484**	**50,143**
	1,702,017,666	**2,158,239,193**	**456,221,527**

December 31, 2013:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	424,402,313	793,547,329	369,145,016
Share premium	8,252	361,733	353,481
Other reserves	5,992,341	6,042,484	50,143
	1,236,000,880	1,692,222,407	456,221,527

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity (continued)

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in BIST are valued at their closing price as of December 31, 2014 and December 31, 2013. As of December 31, 2014 fair value change (positive) amounting to TL 4,240,823, net of deferred tax, (December 31, 2013 – TL 1,705,467) is shown in statement of other comprehensive income.

The net of tax effects of the changes in the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2014	2013
January 1	**(106,970,695)**	(6,466,458)
Increase in revaluation fund of available for sale financial assets	**4,240,823**	1,705,467
Actuarial (loss) arising from employee benefits	**(2,359,644)**	(1,172,998)
Accumulated gain / (loss) from cash flow hedge	**96,295,072**	(101,036,706)
December 31	**(8,794,444)**	(106,970,695)

18. Revenue and cost of sales

	December 31, 2014	December 31, 2013
Export sales	**7,687,446,929**	7,299,181,116
Domestic sales	**4,678,922,359**	4,561,836,223
Other sales	**64,423,992**	68,998,825
Less: Discounts	**(505,956,773)**	(525,103,270)
	11,924,836,507	11,404,912,894

Units of vehicle sales:

	December 31, 2014			December 31, 2013		
	Domestic sales	**Export sales**	**Total sales**	Domestic sales	Export sales	Total sales
Transit Custom	**4,536**	**109,274**	**113,810**	3,399	53,053	56,452
Transit	**21,687**	**62,189**	**83,876**	23,788	120,503	144,291
Transit Courier	**20,836**	**19,229**	**40,065**	-	-	-
Passenger vehicles	**33,650**	**301**	**33,951**	58,618	307	58,925
Cargo	**6,853**	**963**	**7,816**	5,936	1,002	6,938
Transit Connect	**2,690**	**-**	**2,690**	21,711	51,796	73,507
Ranger	**430**	**-**	**430**	519	10	529
New Transit Connect	**356**	**-**	**356**	-	-	-
	91,038	**191,956**	**282,994**	113,971	226,671	340,642

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

18. Revenue and cost of sales (continued)

Summaries of cost of production as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Raw material cost	**(8,148,853,314)**	(7,447,749,842)
Production overhead costs	**(735,188,418)**	(683,816,123)
Depreciation and amortization expenses (Note 10 &11)	**(279,179,493)**	(165,844,420)
Change in finished goods inventory	**(86,176,027)**	(28,717,540)
Total production cost	**(9,249,397,252)**	(8,326,127,925)
Cost of trade goods sold	**(1,544,852,280)**	(1,951,027,803)
Total cost of sales	**(10,794,249,532)**	(10,277,155,728)

19. Research and development expenses, marketing and sales expenses, general administrative expenses

	December 31, 2014	December 31, 2013
Selling and marketing expenses:		
Warranty expenses	**(81,259,786)**	(73,761,483)
Advertising expenses	**(50,237,611)**	(53,047,821)
Personnel expenses	**(46,337,390)**	(43,822,852)
Vehicle transportation expenses	**(39,262,797)**	(49,294,526)
Spare parts transportation and packaging expenses	**(15,473,003)**	(15,749,259)
Dealer and service development expenses	**(10,792,174)**	(10,691,646)
Export expenses	**(9,866,000)**	(12,193,894)
Depreciation and amortization expense	**(2,240,485)**	(2,134,860)
Other	**(21,593,654)**	(9,247,317)
	(277,062,900)	(269,943,658)
General administrative expenses:		
Personnel expenses	**(60,432,629)**	(54,911,556)
New project administrative expenses	**(18,972,497)**	(17,203,756)
Legal, consulting and auditing expenses	**(18,797,330)**	(22,949,218)
Depreciation and amortization expense	**(9,879,277)**	(9,274,448)
Grants and donations	**(8,548,147)**	(12,235,154)
Organization expenses	**(7,906,409)**	(4,001,324)
Duties, taxes and levies	**(5,986,079)**	(12,252,068)
Travel expenses	**(4,676,212)**	(3,595,571)
Repair, maintenance and energy expenses	**(4,007,811)**	(4,206,381)
Warranty expenses excluding sales	**(1,103,839)**	(1,142,130)
Other	**(15,069,825)**	(12,473,240)
	(155,380,055)	(154,244,846)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

19. Research and development expenses, marketing and sales expenses, general administrative expenses (continued)

	December 31, 2014	December 31, 2013
Research and development expenses:		
Personnel expenses	**(91,836,043)**	(63,918,739)
Project costs	**(48,014,869)**	(54,922,399)
Research and development administrative expenses	**(16,064,970)**	(13,923,250)
Depreciation and amortization expenses	**(9,295,864)**	(7,709,842)
Other	**(6,330,290)**	(5,415,689)
	(171,542,036)	(145,889,919)

20. Expenses by nature

The classification of expenses by nature for the year ended at December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Raw material cost	**(8,148,853,314)**	(7,447,749,842)
Cost of trade goods sold	**(1,544,852,280)**	(1,951,027,803)
Personnel expenses	**(610,205,629)**	(531,468,977)
Financial expenses	**(531,263,990)**	(295,946,425)
Other operational expenses	**(383,934,294)**	(388,246,224)
Other overhead expenses	**(323,617,861)**	(315,060,195)
Depreciation and amortization expenses	**(300,595,118)**	(184,963,570)
Other operational expenses	**(107,623,291)**	(64,009,849)
Change in finished goods inventory	**(86,176,027)**	(28,717,540)
Expenses from investing activities	**(7,027,419)**	(5,253,888)
Total expenses	**(12,044,149,223)**	(11,212,444,313)

21. Other operating income/expenses

	December 31, 2014	December 31, 2013
Other operating income and gains:		
Foreign exchange gains	**29,231,288**	81,524,684
Credit finance gains	**46,359,110**	36,353,789
License fees income	**16,168,862**	8,210,298
Price difference and claim recovery	**9,126,007**	10,549,724
Income related to tax exceptions	**6,284,532**	11,792,633
Commission income	**4,109,599**	7,279,504
Rent income	**4,904,368**	3,782,462
Other	**5,954,587**	16,480,643
	122,138,353	175,973,737

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21. Other operating income/expenses(continued)

	December 31, 2014	December 31, 2013
Other operating expenses and losses:		
Credit finance charge	**(75,089,070)**	(41,848,088)
Foreign exchange losses	**(28,197,529)**	(19,731,933)
Other	**(4,336,692)**	(2,429,828)
	(107,623,291)	(64,009,849)

22. Financial income

	December 31, 2014	December 31, 2013
Foreign exchange gains	**373,097,298**	73,012,050
Interest income	**10,229,855**	9,720,451
	383,327,153	82,732,501

23. Financial expenses

	December 31, 2014	December 31, 2013
Foreign exchange losses	**(447,406,556)**	(261,531,449)
Interest expenses	**(51,957,623)**	(25,237,418)
Other financial expenses	**(31,899,811)**	(9,177,558)
	(531,263,990)	(295,946,425)

24. Tax assets and liabilities

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2014 is 20% (December 31, 2013 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax, otherwise, dividends paid are subject to withholding tax at the rate of 15%, an increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

24. Tax assets and liabilities (contiuned)

Corporations are required to pay advance corporate tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate.

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2014 the Company used R&D deduction of TL 101,538,224 (December 31, 2013: TL 94,456,192) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the statement of the financial position date, in the framework of the related investment incentive certificates, an investment expense of TL 559,294,788 (December 31,2013: TL 559,816,554) was made and subject to document expenditures is completed. The Company used a discount on corporate tax for its Transit Custom model for TL 133,302 and this amount has been deducted from the total deferred tax asset (December 31,2013: TL 812,070).

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on 19 June 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, The company can benefit from the additional 10% rate of contribution to investment.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (contiuned)

As of the date of statement of financial position, the investment expenditures amounting to TL 1,720,868.735 (December 31,2013: TL 630,033,496) was made in the framework of the related new investment incentive certificates and the Company utilized discounted corporate taxation amounting to TL 2,302,054 (December 31,2013: TL 12,324,418) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Current year corporate tax expense	**708,815**	3,893,175
Prepaid tax and withholding	**(708,815)**	(3,893,175)
	-	-

The taxation on income for the periods ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Current year corporate tax expense	**(708,815)**	(3,893,175)
Current year tax effect of cash flow hedge	**24,002,090**	(25,448,879)
Deferred tax income	**181,150,586**	218,709,034
	204,443,861	189,366,980

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at December 31, 2014 and 2013 and current tax ratio based on income before tax is as follows:

	December 31, 2014	December 31, 2013
Income before tax:	**390,412,250**	452,104,806
Efective tax rate	**20%**	20%
Current year tax expense	**(78,082,450)**	(90,420,961)
R&D deduction	**20,307,645**	18,891,238
Investment incentive exemption	**261,954,296**	260,408,438
Other temporary differences	**264,370**	488,265
	204,443,861	189,366,980

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the statement of financial position prepared under TFRS and financial statements prepared for tax purposes.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31,2014 and 2013 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Deferred tax assets:				
Investment incentive tax asset	**1,840,604,884**	1,152,846,619	**665,294,714**	405,775,774
Expense accruals and other provisions	**55,984,341**	74,089,837	**12,111,313**	15,111,217
Employee benefits provision	**87,700,826**	79,586,962	**18,454,610**	16,210,642
Warranty expense provision	**61,084,163**	57,685,649	**12,216,833**	11,537,130
Inventories	**21,192,176**	47,030,202	**4,238,435**	9,406,040
			712,315,905	458,040,803
Deferred tax liabilities:				
Tangibles and intangibles	**986,635,389**	758,636,788	**(222,297,918)**	(151,727,358)
Income accruals and other	**32,507,837**	21,995,304	**(6,501,568)**	(4,399,061)
			(228,799,486)	(156,126,419)
Net deferred tax asset			**483,516,419**	301,914,384

Deferred tax movements are as follows:

	January 1, 2014	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	December 31, 2014
Deferred tax liabilities:				
Tangible and intangible assets	**(151,727,358)**	**(70,570,560)**	**-**	**(222,297,918)**
Income accruals and other	**(4,399,061)**	**(1,879,306)**	**(223,201)**	**(6,501,568)**
Deferred tax assets:				
Investment incentive tax asset	**405,775,774**	**259,518,940**	**-**	**665,294,714**
Expense accruals and other	**15,111,217**	**(3,084,643)**	**84,739**	**12,111,313**
Provision for employee benefits	**16,210,642**	**1,654,057**	**589,911**	**18,454,610**
Warranty expense provision	**11,537,130**	**679,703**	**-**	**12,216,833**
Inventories	**9,406,040**	**(5,167,605)**	**-**	**4,238,435**
Deferred tax asset, net	**301,914,384**	**181,150,586**	**451,449**	**483,516,419**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

	January 1, 2013	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	December 31, 2013
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under TFRS and tax:				
Tangible and intangible assets	(114,728,151)	(36,999,207)	-	(151,727,358)
Income accruals and other	(4,359,493)	26,514	(66,082)	(4,399,061)
Deferred tax assets:				
Investment incentive tax asset	158,503,824	247,271,950	-	405,775,774
Expense accruals and other	13,285,962	2,014,958	(189,703)	15,111,217
Provision for employee benefits	14,575,381	1,342,011	293,250	16,210,642
Warranty expense provision	13,836,471	(2,299,341)	-	11,537,130
Inventories	2,053,891	7,352,149	-	9,406,040
Deferred tax liability, net	83,167,885	218,709,034	37,465	301,914,384

25. Earnings per share

	December 31, 2014	December 31, 2013
Net income for the year (TL)	**594,856,111**	641,471,786
Weighted average number of shares with nominal	**35,091,000,000**	35,091,000,000
Earnings per share with nominal value of Kr 1 each	**1.70 Kr**	1.83 Kr

26. Transactions and balances with related parties

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding A.Ş. and Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at December 31, 2014 and December 31,2013 and the transactions with related parties during the year are as follows:

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

a) Receivables from related parties:

i) Trade receivable from related parties

	December 31, 2014	December 31, 2013
Due from shareholders:		
Ford Motor Company and its subsidiaries	**588,906,685**	654,172,884
	588,906,685	654,172,884
Due from group companies (*):		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**335,195,671**	321,909,112
Other	**7,815,883**	3,239,372
	343,011,554	325,148,484
Less: Unearned credit finance income	**(2,378,919)**	(2,986,474)
	929,539,320	976,334,894

(*) The Company's shareholders' subsidiaries and affiliates.

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from the Ford Motor Company are due in 14 days and receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and spare part sales from Otokoç Otomotiv Ticaret ve Sanayi A.Ş.is due in 70 days on average.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2014	December 31, 2013
Due to shareholders::		
Ford Motor Company and its subsidiaries	**385,850,467**	205,020,830
	385,850,467	205,020,830
Due to group companies (*):		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**35,718,844**	28,945,112
Ram Dış Ticaret A.Ş.	**27,844,300**	13,612,335
Setur Servis Turistik A.Ş.	**4,523,762**	3,009,643
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	**3,821,017**	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**2,517,307**	1,904,462
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**2,368,753**	5,042,210
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	**1,772,226**	1,451,733
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**968,527**	880,764
Ark İnşaat A.Ş.	**546,052**	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	**334,758**	855,710
Other	**5,450,827**	1,791,238
	85,866,373	57,493,207
Less: Unearned credit finance expense	**(513,147)**	(224,750)
	471,203,693	262,289,287

(*) The Company's shareholders' subsidiaries, business associates and affiliates

ii) Other payables to related parties

	December 31, 2014	December 31, 2013
Koç Tüketici Finansmanı A.Ş.	**5,708,354**	149,784
Koç Holding A.Ş.	**3,136,045**	204,856
Yapı ve Kredi Bankası A.Ş.	**1,815,783**	5,263,690
	10,660,182	5,618,330

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

c) Sales to related parties:

	December 31, 2014	December 31, 2013
Ford Motor Company ve iştirakleri (*)	**7,522,035,457**	7,148,628,222
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	**1,296,436,288**	1,336,319,739
Other	**28,396,334**	62,811,372
	8,846,868,079	8,547,759,333
Less: Financial income from credit sales	**(13,126,540)**	(11,149,834)
	8,833,741,539	8,536,609,499

(*) The Company, exports vehicle, spare parts and engineering service to Ford Motor Company.
(**) The Company has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

d) Material, service and fixed asset purchases from related parties:

	January 1 – December 31, 2014			
	Material	**Service**	**Fixed Assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**8,535,471**	**162,509,645**	**80,124**	**171,125,240**
Ram Dış ticaret A.Ş.	**95,815,113**	**-**	**-**	**95,815,113**
Ark İnşaat Sanayi ve Ticaret A.Ş.	**-**	**-**	**75,565,048**	**75,565,048**
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	**-**	**31,975,370**	**-**	**31,975,370**
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**17,362,621**	**-**	**-**	**17,362,621**
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	**8,295,918**	**5,204,389**	**13,500,307**
Setur Servis Turistik A.Ş.	**-**	**13,409,807**	**-**	**13,409,807**
Koç Holding A.Ş.	**-**	**12,280,000**	**-**	**12,280,000**
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**-**	**8,429,560**	**934,815**	**9,364,375**
Ram Sigorta Aracılık Hizmetleri A.Ş.(*)	**-**	**7,747,257**	**-**	**7,747,257**
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	**6,546,647**	**-**	**76,522**	**6,623,169**
Opet Petrolcülük A.Ş.	**5,549,024**	**-**	**-**	**5,549,024**
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	**4,650,867**	**-**	**-**	**4,650,867**
Diğer	**1,418,060**	**5,494,619**	**180,000**	**7,092,679**
	139,877,803	**250,142,176**	**82,040,898**	**472,060,877**
Less: Financial expense from credit sales	**(2,353,692)**	**-**	**-**	**(2,353,692)**
	137,524,111	**250,142,176**	**82,040,898**	**469,707,185**

(*) Contains paid and accrued premium amounts for the interim periods ended December 31, 2014 and 2013 within the context of insurance policies signed with insurance Companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

	January 1 – December 31, 2013			
	Material	Service	Fixed Assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8,139,178	149,262,769	97,057	157,499,004
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	74,822,453	74,822,453
Ram Dış ticaret A.Ş.	61,856,877	3,100	-	61,859,977
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	8,561,874	6,861,126	15,423,000
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	15,274,789	-	-	15,274,789
Setur Servis Turistik A.Ş.	-	9,632,000	-	9,632,000
Koç Holding A.Ş.	-	9,132,730	-	9,132,730
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	8,356,103	-	-	8,356,103
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,950,174	-	7,950,174
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7,361,058	-	431,950	7,793,008
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4,544,092	1,721,452	6,265,544
Opet Petrolcülük A.Ş.	3,661,317	-	-	3,661,317
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,684,792	-	1,684,792
Callus Bilgi ve İletişim Hizmetleri A.Ş. (*)	-	1,020,146	-	1,020,146
Divan Turizm İşletmeleri A.Ş.	-	555,078	-	555,078
Koç Üniversitesi	-	443,000	-	443,000
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	394,726	-	394,726
Promena Elektronik Ticaret A.Ş.	-	388,000	-	388,000
Otokar Otomotiv ve Savunma Sanayi A.Ş.	785	218,828	-	219,613
Moment Eğitim Araştırma Sağlık Hiz.Tic.A.Ş.	-	179,047	-	179,047
Aygaz A.Ş.	106,450	-	-	106,450
Tofaş Türk Otomobil Fabrikası A.Ş.	-	58,245	-	58,245
Arçelik A.Ş.	1,254	-	508	1,762
	104,757,811	194,028,601	83,934,546	382,720,958
Less: Financial expense from credit sales	(1,267,604)	-	-	(1,267,604)
	103,490,207	194,028,601	83,934,546	381,453,354

(*) Koç Holding A.Ş. has transferred Callus Bilgi ve İletişim Hizmetleri A.Ş. shares as of July 2, 2013.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

Material, vehicle and service purchases from abroad:

	December 31, 2014	December 31, 2013
Ford Motor Company and its subsidiaries	**4,634,719,963**	4,863,365,905

e) License fees paid to Ford Motor Company included in cost of sales:

	December 31, 2014	December 31, 2013
	80,023,983	61,727,345

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income:

	December 31, 2014	December 31, 2013
	16,168,862	8,210,299

g) Donations to Koç Group foundations, included in general administrative expenses:

	December 31, 2014	December 31, 2013
	8,020,204	10,777,946

h) The details of deposits in related banks and loans obtained from related banks:

Deposits in related banks:	**December 31, 2014**	December 31, 2013
Yapı ve Kredi Bankası A.Ş.		
- Banks - foreign currency time deposits	**103,811,998**	54,622,940
- Banks - TL demand deposits	**75,300,493**	15,631,713
- Banks - TL time deposits	**3,766,408**	-
- Banks - foreign currency demand deposits	**13,657,312**	153,211
	196,536,211	70,407,864

Loans obtained from related banks	**December 31, 2014**	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	**10,970,246**	10,432,157

ı) Commission income:

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	**4,103,976**	7,209,509

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

i) Commission expense:

	December 31, 2014	December 31, 2013
Koç Tüketici Finansmanı A.Ş.	**35,511,123**	824,930
Yapı ve Kredi Bankası A.Ş.	**22,580,673**	34,133,867
	58,091,796	34,958,797

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to last customers by dealers and are recorded as sales discounts in statement of profit or loss.

j) Interest income:

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	**2,445,163**	2,375,453

k) Dividend income:

	December 31, 2014	December 31, 2013
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**585,830**	374,931

l) Compensation of key management personnel:

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 2).

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company as of December 31, 2014 was TL 20,849,674 (December 31, 2013 - TL 16,763,843).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2014 and 2013. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

December 31, 2014

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	622,702,244	9,606,819	212,750,045	89,246
2. Monetary financials assets (including cash and cash equivalents)	405,925,946	700,998	143,057,316	216,520
3. Other	72,186,327	1,799,732	23,929,423	143,268
4. Current assets (1 + 2 + 3)	**1,100,814,517**	**12,107,549**	**379,736,784**	**449,034**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	-	-
7. Total assets (4+6)	**1,100,814,517**	**12,107,549**	**379,736,784**	**449,034**
8. Trade payables	455,531,517	25,083,134	139,682,834	935,143
9. Financial liabilities	876,984,412	-	310,910,203	-
10. Other monetary liabilities	3,275,252	1,093,284	152,900	85,857
11. Short term liabilities (8 + 9 + 10)	**1,335,791,181**	**26,176,418**	**450,745,937**	**1,021,000**
12. Financial liabilities	1,360,646,538	-	482,379,033	-
13. Long term liabilities (12)	**1,360,646,538**	**-**	**482,379,033**	**-**
14. Total liabilities (11 + 13)	**2,696,437,719**	**26,176,418**	**933,124,970**	**1,021,000**
15.Net foreign currency assets / (liabilities) position (7 - 14)	**(1,595,623,202)**	**(14,068,869)**	**(553,388,186)**	**(571,966)**
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(1,667,809,529)**	**(15,868,601)**	**(577,317,609)**	**(715,234)**

(*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exhange risk of a portion of those Euro denominated loans amounting to TL 1,665,624.667 (December 31, 2013 - TL 691,450,364) by export agreements signed with Ford Motor Company.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

December 31, 2013

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	608,426,291	2,723,303	204,629,744	489,463
2. Monetary financials assets (including cash and cash equivalents)	207,891,355	62,999	70,724,752	21,240
3. Other	28,845,162	-	9,658,133	137,852
4. Current assets (1 + 2 + 3)	845,162,808	2,786,302	285,012,629	648,555
5. Monetary financial assets	196,511	92,073	-	-
6. Non-current assets (5)	196,511	92,073	-	-
7. Total assets (4+6)	845,359,319	2,878,375	285,012,629	648,555
8. Trade payables	280,308,753	18,188,454	80,501,494	1,451,415
9. Financial liabilities	1,061,130,445	-	361,358,912	-
10. Other monetary liabilities	3,194,380	754,129	506,813	27,506
11. Short term liabilities (8 + 9 + 10)	1,344,633,578	18,942,583	442,367,219	1,478,921
12. Financial liabilities	1,220,366,296	-	415,585,321	-
13. Long term liabilities (12)	1,220,366,296	-	415,585,321	-
14. Total liabilities (11 + 13)	2,564,999,874	18,942,583	857,952,540	1,478,921
15. Net foreign currency assets / (liabilities) position (7 - 14)	(1,719,640,555)	(16,064,208)	(572,939,911)	(830,366)
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 – 10 - 12)	(1,748,485,717)	(16,064,208)	(582,598,044)	(968,218)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

December 31, 2014

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency		
	Increase by %10	**Decrease by %10**
Change in USD against TL		
US Dollar net (liabilities) / assets	**(3,262,430)**	**3,262,430**
US Dollar net hedged amount	**-**	**-**
US Dollar net (loss) / gain	**(3,262,430)**	**3,262,430**
Change in Euro against TL		
Euro net (liabilities) / assets	**(156,094,206)**	**156,094,206**
Euro net hedged amount	**166,590,542**	**(166,590,542)**
Euro net (loss) / gain	**10,496,336**	**(10,496,336)**
Change in other foreign currency against TL		
Other foreign currency denominated net assets/(liabilities)	**(205,684)**	**205,684**
Other foreign currency denominated- hedged amount	**-**	**-**
Other foreign currency denominated net gain/(loss)	**(205,684)**	**205,684**

December 31, 2013

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency		
	Increase by %10	**Decrease by %10**
Change in USD against TL		
US Dollar net (liabilities) / assets	(3,428,584)	3,428,584
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,428,584)	3,428,584
Change in Euro against TL		
Euro net (liabilities) / assets	(168,243,805)	168,243,805
Euro net hedged amount	71,911,727	(71,911,727)
Euro net (loss) / gain	(96,332,078)	96,332,078
Change in other foreign currency against TL		
Other foreign currency denominated net assets/(liabilities)	(291,666)	291,666
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(291,666)	291,666

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

The comparative amounts for total export and import amounts for the year ended December 31, 2014 and 2013 are as follows;

	December 31, 2014	December 31, 2013
Total export amount	**7,687,446,929**	7,299,181,116
Total import amount	**5,817,722,210**	6,162,335,697

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	December 31, 2014	December 31, 2013
Fixed interest rate financial instruments		
Financial assets	**548,926,849**	213,301,075
Financial liabilities	**1,211,675,030**	904,174,322
Floating interest rate financial instruments		
Financial liabilities(*)	**1,118,601,879**	1,369,230,992

(*) As of December 31, 2014, the Company, signed an interest swap agreement in order to mitigate the cash flow interest risk related to the floating interest loan amounting to Euro 17,572,537 (TL 49,566,857) with a maturity of December 9, 2015.

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 2,035,479.58 at December 31, 2014 (December 31, 2013 – TL 1,386,362.93) due to higher/lower interest expense.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Finansal araçlardan kaynaklanan risklerin niteliği ve düzeyi (devamı)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

December 31, 2014	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	**2,349,987,527**	**2,444,575,377**	**279,990,058**	**726,379,072**	**1,264,204,264**	**174,001,983**
Trade payables						
- Related party	**471,203,693**	**471,716,840**	**471,716,840**	**-**	**-**	**-**
-Other	**1,325,187,809**	**1,332,727,390**	**1,332,727,390**	**-**	**-**	**-**
Other liabilities						
- Related party	**10,660,182**	**10,660,182**	**10,660,182**	**-**	**-**	**-**
- Other	**39,685,718**	**39,685,718**	**39,685,718**	**-**	**-**	**-**
Derivative financial liabilities						
Derivative financial instruments	**344,734**	**344,734**	**-**	**344,734**	**-**	**-**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

December 31, 2013	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	2,291,215,803	2,388,821,952	113,600,631	972,175,285	995,929,686	307,116,351
Trade payables						
- Related party	262,289,287	262,514,037	262,514,037	-	-	-
-Other	919,806,623	923,138,810	923,138,810	-	-	-
Other liabilities						
- Related party	5,618,330	5,618,330	5,618,330	-	-	-
- Other	21,602,967	21,602,967	21,602,967	-	-	-
Derivative financial liabilities						
Derivative financial instruments	713,095	713,095	-	-	713,095	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques that includes direct or indirect observable inputs

Level 3: Valuation techniques that does not contain observable market inputs

As of December 31, 2014 and 2013, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

December 31, 2014

	Level1 (*)	**Level 2 (**)**	**Level 3**
Assets at fair value			
Financial asset available-for-sale -Otokar	12,196,978	-	-
Total assets	**12,196,978**	**-**	**-**
Liabilities at fair value			
Cash flow hedge swap transaction	-	344,734	-
Total Liabilities	**-**	**344,734**	**-**

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date,
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i,e, as prices) or indirectly (i,e, derived from prices).

December 31, 2013

	Level1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Financial asset available-for-sale -Otokar	7,732,955	-	-
Total Assets	7,732,955	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	713,095	-
Total Liabilities	-	713,095	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date,
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i,e, as prices) or indirectly (i,e, derived from prices).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28. Derivative financial instruments

	December 31, 2014	December 31, 2013
Derivative financial instruments:		
Long term financial derivatives	**344,734**	713,095
	344,734	713,095

The Company has obtained a long term loan in foreign currency with a floating rate from the international market and entered into a long-term swap transaction to fix the interest rate and hedge against interest rate risk.

As of December 31, 2014, the Company has entered into swap transaction for Euro 17,572,537 with a maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates. The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of December 31, 2014. The fair value of the related swap transaction as of December 31, 2014 is amounting to TL 344,734 and presented in "Non-current liabilities".

	December 31, 2014	December 31, 2013
Cash flow hedge reserve:		
Amount recognized in other comprehensive income	**(55,615,261)**	150,814,957
Amount recycled from other comprehensive income to statement of profit or loss	**(64,395,189)**	(23,570,560)
	(120,010,450)	127,244,397

There is an effective foreign currency cash flow hedge relationship between foreign currency long term financial borrowings related with investment expenditures (non derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of export revenue from April 1, 2013 to December 2021 with long term financial borrowings.

29. Income and expenses from investing activites

	December 31, 2014	December 31, 2013
Income from investing activities:		
Gain on sales of property, plant and equipment	**3,673,630**	555,056
Dividend income	**585,830**	374,931
	4,259,460	929,987

	December 31, 2014	December 31, 2013
Expenses from investing activities:		
Loss on sales of property, plant and equipment	**(7,027,419)**	(5,253,888)
	(7,027,419)	(5,253,888)

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

30. Deferred revenue

	December 31, 2014	December 31, 2013
Advances taken	**9,548,207**	2,869,027
	9,548,207	2,869,027

31. Government incentives and grants

The Company received two investment incentives both greater than TL 250 million in December 2010, under the scope of the Council of Minister’s decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Of these investments, the investment on the New Transit Custom factory amounting to TL 559,294,788 was completed and the rate of contribution to investment is used in tax calculations. The incentive certificate received as per the Decree of the Council of Ministers numbered 2009/15199 for the investment of the new lightweight commercial vehicle Transit Courier was cancelled upon request of the Company since the investment will continue with the incentive which has a 40% rate of contribution to investment as explained below.

Additionally, the Company reevaluated its existing investments within the scope of the decree on Government Subsidies for Incentives re-regulating investment incentives, which was published in the official gazette in 2013 and became effective on 19 June 2012, and in order to benefit from privileged investment incentive regarding new decree, acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. Subject investment incentives has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, the Company can benefit from the additional 10% rate of contribution to investment.

In December 2014, the Company received a privileged investment incentive amounting to TL 331,362,274 and with a 40% rate of contribution to investment for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir Inönü plant.

32. Subsequent events

There is no significant subsequent event to be disclosed.

33. Disclosure of other matters

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.